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RUEAEPA/HQ EPA WASHDC IMMEDIATE

RHMFIUU/DEPT OF ENERGY WASHINGTON DC PRIORITY

RUEATRS/DEPT OF TREASURY WASHDC PRIORITY

RUCPDOC/DEPT OF COMMERCE WASHDC PRIORITY

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STATE FOR OES, OES/EGC, OES/ENV, EAP/CM/HABJAN/FLATT,

EEB/ESC/HENGEL, EEB/ESC/IEC/ENR/HENRY/SECOR

TREASURY FOR OASIA/ISA/DOHNER/HOLMER/WRIGHT

SENSITIVE

SIPDIS

E.O. 12958: N/A

TAGS: [SENV](#) [ECON](#) [ENRG](#) [EPET](#) [EMIN](#) [KCOR](#) [CH](#) [CA](#) [AS](#)

SUBJECT: China reluctant to engage on EITI

REF: STATE 115798

#### Summary

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¶1. (SBU) Begin Summary. Post delivered background paper in reftel demarche by fax to the Ministry of Foreign Affairs (MFA) International Affairs Division, the National Energy Administration (NEA) International Cooperation Division, and the Ministry of Land and Resources (MOLAR) International Cooperation Division following several weeks of attempting to meet in person with the above agencies. Each of the agencies we have attempted to engage has been reluctant to discuss the Extractive Industries Transparency Initiative (EITI) with econoffs. Chinese officials have informed us that EITI is a sensitive issue for China, as it addresses not only overseas oil and gas exploration, but also mining activities. Although MFA has been designated as our primary point of contact on this issue, multiple government agencies and state-owned enterprises have interests in EITI. Given the number of stakeholders and sensitivities toward EITI, it appears that future discussions with China on EITI are likely to move ahead at a slow pace. End Summary.

MFA to be point of contact on EITI

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¶2. (SBU) Post delivered background paper in reftel demarche by fax to the Ministry of Foreign Affairs (MFA) International Affairs Division, the National Energy Administration (NEA) International Cooperation Division, and the Ministry of Land and Resources (MOLAR) International Cooperation Division following several weeks of attempting to meet in person with the above agencies. Through our efforts to deliver reftel points and to discuss a reference to the Extractive Industries Transparency Initiative (EITI) in the Strategic Economic Dialogue (SED) outcomes document, post learned that the Chinese government has now assigned MFA as the primary point of contact for future EITI discussions.

EITI considered a sensitive issue

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¶3. (SBU) All three organizations declined to meet with

econoff to discuss reftel points. MFA noted that this is a sensitive issue and that MFA is only able to discuss EITI in the multilateral context. An econ contact at the National Development and Reform Commission (NDRC) told us that EITI is a particularly complicated issue for China because it not only addresses oil and gas exploration, but also overseas mining activities. MOLAR echoed this view, telling us that they welcome engagement with the U.S. on other topics, but they are not able to discuss with us Chinese views on this issue.

¶4. (SBU) Econoffs met with Australian and Canadian Embassy counterparts in mid-November to discuss their perceptions of China's willingness to engage on the EITI. AusAID Development and Cooperation Counselor told econoff that Australia's Department of Foreign Affairs and Trade (DFAT) has not been engaged with China on the EITI, but noted that Australia supports the EITI and shares U.S. concerns about promoting transparency in resource rich developing countries. Australia is particularly concerned about Chinese extractive industries' overseas activities in the East Asian and Pacific region, especially in Papua New Guinea. She pointed out that China has welcomed a variety of training programs supported by AusAID and other foreign assistance providers, and suggested that it might be worthwhile to consider using the EITI trust fund to support training opportunities that would promote Chinese understanding of the EITI.

¶5. (SBU) Canadian Embassy trade officer told econoffs that China is unlikely to take any actions that could limit its ability to access mineral and energy resources overseas.

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In his view, multilateral engagement with China on EITI will have to be undertaken through a long-term, progressive approach in order to be effective. Canada has built relationships with government officials involved in the extractive sector at the central and local level by supporting programs to improve enhance extractive industries' corporate responsibility.

Comment

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¶6. (SBU) Comment: Although MFA has been designated as our primary point of contact on this issue, many powerful government entities have dogs in this fight. NEA and MOLAR play major roles in energy and mining policy making, and play a role in developing China's official position on EITI. Large, important state-owned enterprises active abroad, including oil/gas and mining companies, also provide significant input on this issue. The Chinese government has to consider and coordinate all of these viewpoints when engaging with us on EITI. It appears that future discussions are likely to move ahead at a slow pace. Cooperation with like-minded countries and the EITI Secretariat may be useful in bringing EITI to the attention of the appropriate Chinese leaders and encouraging China's support for the EITI in countries where Chinese extractive industries are active. End Comment.

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